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Message Text

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70
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INFO OCT-01 ARA-16 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

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R 161913Z SEP 74
FM SECSTATE WASHDC
TO AMEMBASSY LIMA

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FROM EXIMBANK

E.O. 11652: N/A
TAGS: EFIN, PE
SUBJ: GOP REPORTS OF FINANCING FOR TRANS-ANDEAN PIPELINE

REF: LIMA 7651

1. EXIMBANK IS DISTURBED BY THE REPORT IN REFGRAM THAT GOP HAS INDICATED THAT IT HAS ARRANGED FINANCING WITH EXIM FOR FINANCING DOLS 150 MILLION OF THE COSTS OF THE TRANS-ANDEAN CRUDE OIL PIPELINE. EXIM HAS NO REPEAT NO COMMITMENT TO GOP OR ITS AGENCIES, PETROPERU OR COFIDE, TO FINANCE ANY ELEMENT OF THE PIPE-LINE. TO THE CONTRARY, EXIM HAS SOUGHT IN EVERY MEETING WITH PETROPERU OR COFIDE TO MAKE IT CLEAR THAT EXIM IS FAR FROM CON-VINCED THAT CONSTRUCTION OF THE PIPELINE IS ECONOMICALLY FEASIBLE AND THAT MUCH MORE INFORMATION WOULD BE REQUIRED FROM
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PETROPERU IF EXIM WERE SERIOUSLY TO CONSIDER A REQUEST FOR FI-

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NANCING ANY OF THE U.S. COSTS OF THE PROEJCT.

2. EXIM'S ANALYSIS OF THE PROJECT OUTLINE, PRESENTED TO THE BANK DURING THE VISIT TO WASHINGTON OF PETROPERU AND COFIDE OFFICIALS IN LATE JUNE, RESULTED IN SEVERAL QUESTIONS AND THE NECESSITY FOR ADDITIONAL INFORMATION. THESE QUESTIONS WERE RAISED AND THE ADDITIONAL INFORMATION REQUESTED DURING THE MEETING IN LIMA IN LATE JULY OF EXIM REPRESENTATIVES O'CONNOR/ CHAPMAN/LAROCHE WITH PETROPERU. IN THAT MEETING EXIM'S REP-RESENTATIVES GOT THE IMPRESSION FROM PETROPERU THAT THE LATTER WOULD HAVE NO DIFFICULTY IN GATHERING AND PROMPTLY FURNISHING THE ADDITIONAL INFORMATION.

3. DURING THE VISIT TO WASHINGTON AUGUST 22-24 OF PERU'S MINISTERS OF FOREIGN AND OF MINES, ACCOMPANIED BY REPRESENTATIVES OF BANCO DE LA NACION, PETROPERU AND COFIDE, EXIM WAS VISITED BY ALVARO MENSES, GENERAL MANAGER OF BANCO DE LA NACION, AND LUIS BARUA, CHAIRMAN OF COFIDE. WHILE THEY EXPLAINED THEIR VISIT AS A "COURTESY CALL", AND SAID THEY WERE NOT PREPARED TO FURNISH EXIMBANK THE REQUESTED ADDITIONAL INFORMATION NOR INDEED, TO DISCUSS THE PIPELINE PROJECT IN DEPTH, THEY ASSURED EXIM THAT PETROPERU AND COFIDE DID UNDERSTAND THAT EXIM EXPECTS ADDITIONAL INFORMATION AND THAT THE PERUVIANS WOULD BE FURNISHING THE INFORMATION. IN THIS MEETING EXIM TRIED TO MAKE IT ABUN-DANTLY CLEAR THAT IT HAD REACHED NO CONCLUSION THAT IT WAS PREPARED TO FINANCE ANY PART OF THE PIPELINE PROJECT AND EM-PHASIZED AGAIN THAT THE BANK WAS SERIOUSLY CONCERNED, AS IT WOULD ASSUME PERU WOULD BE, ABOUT THE ECONOMIC FEASIBILITY OF THE PROJECT.

4. THE ONLY RESPONSE HAD BY EXIMBANK TO ITS REQUEST FOR ADDI-TIONAL INFORMATION IS THE RECENT RECEIPT OF A LETTER OF AUGUST 28 FROM PETROPERU TRANSMITTING A COPY OF A RESERVE EVALUATION REPORT PREPARED FOR PETROPERU BY SCIENTIFIC SOFTWARE CORPORATION COVERING CERTAIN AREAS UNDER EXPLORATION BY PETROPERU. THIS REPORT IS BEING STUDIED BY EXIM. CONTRARY TO THE STATED ASSUMP-TION IN PETROPERU'S TRANSMITTAL LETTER, THIS DOES NOT PROVIDE ALL OF THE ADDITIONAL INFORMATION REQUESTED BY EXIM.

5. WHILE EXIM DOES NOT SUGGEST ANY FORMAL ACTION TO REFUTE THE LIMITED OFFICIAL USE

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PRESS ANNOUNCEMENT REPORTED IN REFTEL, THE BANK SHOULD LIKE TO AVOID ANY IMPLICATIONS THAT COULD PROVIDE THE BASIS FOR A CON-VICTION THAT ANY FINANCING HAS BEEN ARRANGED WITH EXIM. NOTWITHSTANDING THE ALLURING ARRAY OF FINANCING SOURCES REPORTED BY THE PERUVIAN MINISTERS UPON THEIR RETURN TO LIMA, THE ECONOMIC VIABILITY OF THE TRANS-ANDEAN PIPELINE REMAINS THE MOST IMPORTANT CONCERN TO EXIM IF IT IS TO CONSIDER SERIOUSLY ANY REQUEST FOR FINANCING. KISSINGER

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